



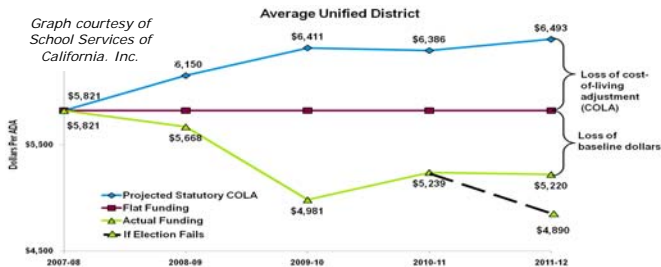
# February 8, 2011 BASICS News

San Bernardino County Superintendent of Schools  
Business Advisory Services (BAS)  
1020 East Cooley Drive  
Colton, CA 92324



## OVERVIEW OF THE 2011-12 GOVERNOR'S JANUARY BUDGET PROPOSALS

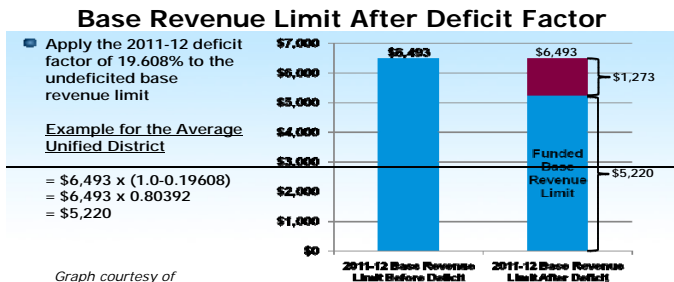
Current state deficits are estimated at \$8.2 billion for 2010-11 and \$17.2 billion for 2011-12, totaling \$24.3 billion. The 2011-12 Governor's January budget proposals include three major components: \$12.5 billion expenditure reductions over two years; \$12 billion in revenue enhancements over two years to be achieved through a June ballot measure to extend the temporary taxes enacted in 2009-10; and \$1.9 billion from special funds and other one-time measures. In order for the tax extension proposals to move forward, at least two thirds (2/3rds) of the Legislature have to agree with placing this measure on the June ballot and then voters must still approve. Only a portion of these tax extensions are directly tied to education funding. Additionally, while the Governor has proposed flat funding, 2011-12 revenue is projected to be lower than 2010-11 by at least 0.369% (net of 1.67% COLA and higher deficit), even if the tax extensions pass. If the tax extensions do not pass, Proposition 98 will decrease by approximately \$2.3 billion which equates to an estimated \$330 per ADA, which along with the above \$19 reduction equates to a total reduction of \$349 per ADA. If the tax extensions are not approved, this additional reduction would be the "best" worst case scenario.



### REVENUE LIMITS:

*Exhibit D*

The Governor's proposal includes an estimated 1.67% Cost of Living adjustment (COLA) and an increase in the deficit factor to 19.608%. This results in a net per ADA reduction of approximately \$(19) for a Unified, \$(18) for an Elementary and \$(22) for a High School District. Actual reduction rate will depend on your district's unique base revenue limit rate.



Graph courtesy of School Services of California, Inc.

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### PERS, PERS REDUCTION, AND PERS REDUCTION BUY-OUT:

The 2011-12 Public Employees Retirement system (PERS) school employer contribution rate is estimated at 11.2%. This makes the PERS reduction rate at 1.14296%, including PERS buyout. The PERS reduction buyout is estimated at 37.2% for K-12 and 33.09% for COE's.

### CHARTER SCHOOLS:

The Charter General Purpose rates reflect a 1.67% COLA, a deficit of 19.608% and ADA growth. Final amounts could vary by approx. ±\$20 per ADA. Rates shown below do not include the additional estimated reduction of \$330 per ADA, if tax extensions are not voter-approved. Categorical Block Grant rates reflect the on-going 19.81% reduction from 2008-09 and 2009-10 fiscal years and ADA growth.

### SPECIAL EDUCATION:

The Governor's Budget proposal provides growth, but no COLA for special education. Growing SELPAS will receive \$465.4404 per ADA. There is also \$20.2 million in additional federal funding estimated at \$3.38653 per ADA. Check with your SELPA for how this affects your 2011-12 Budgets.

The Special Disabilities Adjustment (SDA) is due to sunset at the end of 2010-11. Districts (Morongo USD and East Valley SELPA) should not budget for the SDA funding beyond 2010-11, unless authorized in future Legislative sessions. However, the state may be at risk for not meeting its MOE requirement if these funds are redirected to other areas, outside special education.

Mental health services that were provided by the county mental health agencies were suspended which means the costs for these services may fall back on school districts. There are several lawsuits regarding this change, and districts need to work with their SELPA to determine the district's additional costs and include these expenditures in the district's MYP, until final court decisions are made.

### STATE CATEGORICAL FUNDING:

State Categoricals remain unchanged, no growth or COLA and no new programs. Continued funding for the After School Education & Safety (ASES) and Quality Education Investment Act (QEIA) Programs. The Governor's January proposals include extending categorical flexibility for Tier 3 programs as unrestricted for another two (2) years until 2014-15. Annual public hearings are still required and new language has been included in Ed Code Section 42605. Districts should review their board agenda item and minutes to ensure compliance with the code requirements.

### ROUTINE REPAIR AND MAINTENANCE (RRMA):

Flexibility in RRMA contributions are proposed to continue at the 1% rate through 2014-15, however, districts who continue to keep facilities in good repair and evaluate the local repair needs are exempt from this requirement.

# OVERVIEW OF THE 2011-12 GOVERNOR'S JANUARY PROPOSED BUDGET

## **K-3 CSR FLEXIBILITY:**

K-3 CSR for Option 1 is funded at \$1,071 and Option 2 at \$535, no change from 2010-11. The January budget proposals also extend current class size caps and penalties another two (2) years through 2013-14. Remember if a school has a classroom with 25 or more students, it would receive 70% of the funding for 20 of the students only-not total students.

<b>Current K-3 CSR - Graduated Penalties</b>	
<b>Class Size</b>	<b>2008-09 to 2013-14</b>
Up to 20.44	No Penalty
20.45 to 21.44	5% Penalty
21.45 to 22.44	10% Penalty
22.45 to 22.94	15% Penalty
22.95 to 24.94	20% Penalty
24.95 or more	30% Penalty

## **CASH DEFERRALS:**

The Governor's proposal includes a new \$2.1 billion deferral, which is currently reflected in preliminary trailer bill language as an on-going twelve-month deferral from July 2011 to July 2012 (timeframe may change). Trailer bill legislation also proposes a continuation of all current 2010-11 ongoing and one time deferrals into 2011-12. This brings K-12 total funding deferrals to an estimated \$9.1 billion.

An estimated 33% of principal apportionment funding is being deferred into the subsequent fiscal year. This percentage does not include the on-going K-3 CSR and other categorical deferrals. Districts are advised to continue to include all current deferrals and the new deferral in 2011-12 cash flow projections. Keep in mind that a positive fund balance does not ensure a positive CASH balance due to the effect of the deferrals. While you can accrue the deferral revenues, you cannot make monthly payrolls without CASH. It is recommended districts start closely reviewing 2011-12 monthly cash needs.

## **DEFERRED MAINTENANCE:**

Flexibility is proposed to continue through 2014-15 and funds are considered unrestricted and deposited to General Fund 01 to be used for any educational purpose. The matching funds and reporting requirements have been eliminated as well as the submittal of the Five-Year Plan to the SAB. Funds can be authorized by the board to be contributed to Fund 14 to maintain expenditures on the five year plan.

## **MANDATED COSTS:**

The 2011-12 Governor's Budget proposals provide funding of \$90 million for 2011-12 claims and continues the suspension of nine mandates. However, at this time **mandated costs revenues should only be budgeted as cash is received.** Do not include any estimated revenues in the multi-year projections.

## **INSTRUCTIONAL MATERIALS FUNDING REALIGNMENT:**

**RS 0000**

No COLA or growth. Still requires all students to have a standards aligned text and public hearing, however no new state adoptions through 2014-15, under the current proposal.

## **OEIA:**

**RS 7400**

Budget proposal is for program to be fully funded in 2011-12. The rates remain \$500/pupil for grades K-3; \$900/pupil in grades 4-8 and \$1,000/pupil in grades 9-12, but could change based on district participation statewide.

## **2011-12 REVENUE LIMIT FACTORS:** *Exhibits A,B,C,D,K*

COLA	1.67%
Deficit	19.608% (Funding Factor 0.80392)
Elementary Inflation factor	\$ 102
High School Inflation factor	\$ 123
Unified Inflation factor	\$ 107
PERS employer rate estimated	11.2%
PERS Reduction Buyout estimated	37.2%
Payroll distribution rate estimated	1.14296%
Maximum PERS Cafeteria wage exclusion	\$219,298
STRS employer rate	8.25%
Other Adjustments – Loss of Temp. Tax	\$330/ADA

## **COMMUNITY DAY SCHOOL ADDITIONAL HOURS (CDS):** **RS 0000/(2430) – Exhibits A,B**

Funded at proration of 2007-08 funding to total statewide funding. Ratio applied to current year appropriation. No participation for funding is required. **Mandatorily expelled pupils will continue to be funded within RS 2430 (not flexible) along with Revenue Limit ADA transfer for program.**

## **SUPPLEMENTAL HOURLY PROGRAMS:**

**RS 0000 – Exhibits A,B**

Funded at proration of 2007-08 funding to total statewide funding. Ratio applied to current year appropriation. No participation for funding is required. If funds are insufficient, deficits may be applied.

## **ADULT EDUCATION:** **RS 0000/Fund 01 - Exhibit E**

Funded at proration of 2007-08 funding to total statewide funding. Ratio applied to current year appropriation. No participation for funding is required. Flexibility continues and funds are considered unrestricted and will be deposited into Fund 01. District boards can continue to run an Adult Ed program and authorize a transfer of these funds to Fund 11.

## **ROC/P:** **RS 0000 - Exhibit E**

Funded at proration of 2007-08 funding to total statewide funding. Ratio applied to current year appropriation. No participation for funding is required. Can continue to be used for ROC/P activities with board authorization for use of Tier 3 funding as considered unrestricted funds.

## **STATE LOTTERY:** *Exhibits F1-F3*

Unrestricted \$111.00 per PY Annual ADA	<b>RS 1100</b>
Restricted \$ 17.50 per PY Annual ADA	<b>RS 6300</b>
<b>Exception: ROP/Adult Ed based on 2007-08 Annual ADA.</b>	

## **PUPIL TRANSPORTATION:** *Exhibit G*

Home to School	<b>RS 7230</b>
Severely Disabled/Orthopedically Impaired	<b>RS 7240</b>
No Growth or COLA proposed.	

## **TIER III PROGRAMS:** *Exhibit H*

Funding based on a prorated share of the 2007-08 Annual R-3 certification with flexibility as unrestricted funds proposed through 2014-15.

## **ECONOMIC IMPACT AID:** **RS 7090, 7091 - Exhibit I**

NO COLA, no cuts, no flexibility

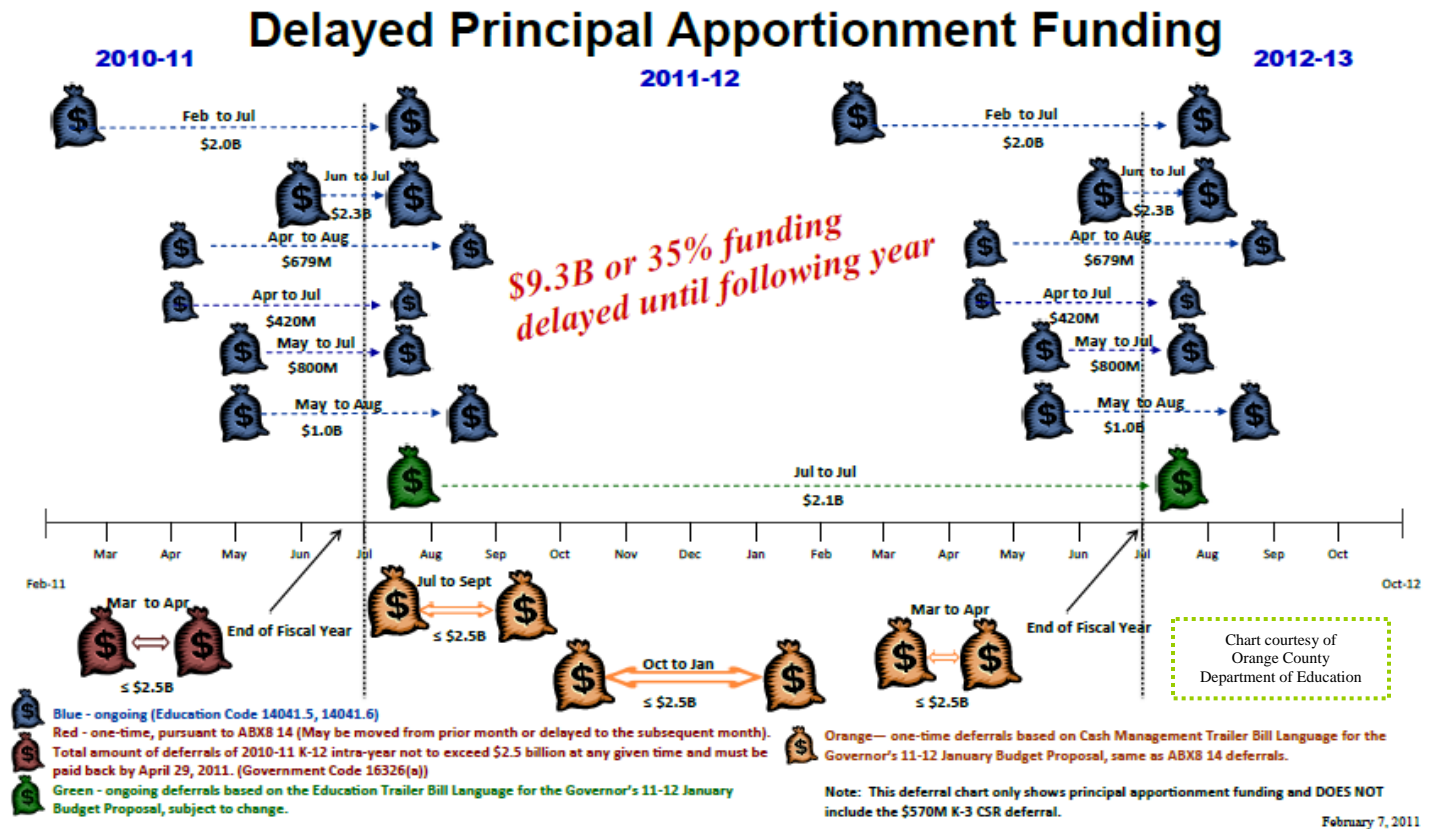
## **K-3 CSR:** **RS 1300 - Exhibit J**

Option 1 full day \$1,071. Option 2 half day \$535. Class size caps and penalties are proposed to be extended an additional two years to 2013-14.

## **FEDERAL STIMULUS – ARRA SFSF:** **RS 3200 - Exhibit L**

The Final 10% of SFSF funds has been calculated by CDE and can be included in your 2010-11 budgets. **FUNDS MUST BE FULLY EXPENDED BY SEPTEMBER 30, 2011.** Funds received through Federal Cash Management System.

# OVERVIEW OF THE 2011-12 GOVERNOR'S JANUARY PROPOSED BUDGET



*Only includes Principal Apportionment deferrals-Does not include K-3CSR or other Categorical deferrals*

### FINANCIAL PROJECTION DASHBOARD – SELECTED FACTORS (Courtesy of SCHOOL SERVICES OF CALIFORNIA)

Factor	2010-11	2011-12	2012-13	2013-14	2014-15
K-12 Statutory COLA	-0.39%	1.67%	1.80%	2.30%	2.70%
K-12 RL Deficit %	17.963%	19.608%	19.608%	19.608%	19.608%
PRORATION FACTOR	.82037	.80392	.80392	.80392	.80392
K-12 Net Revenue Limit Change	5.17%	-0.369%	1.80%	2.30%	2.70%
Recommended Planning COLA	N/A	-0.369%	1.80%	2.30%	2.70%
Recommended Planning COLA If Tax Extensions Fail	N/A	-\$330 per ADA ongoing	1.80%	2.30%	2.70%
State Categorical Funding (including Adult Ed and ROC/P) Tiers I, II, and III	0.00%	0.00%	1.80%	2.30%	2.70%
Special Ed COLA (on state and local share only)	0.00%	0.00%	1.80%	2.30%	2.70%
California Lottery* Non-Prop 20 (RS 1100) Prop 20 Restricted (RS 6300)	\$112.50 \$ 17.50	\$111.00 \$ 17.50	\$110.00 \$ 17.20	\$108.75 \$ 17.20	\$108.75 \$ 17.20
California CPI	1.20%	1.70%	2.20%	2.6%	2.9%
Interest Rate for 10 yr treasury	3.20%	3.80%	4.10%	4.40%	4.50%

\*Lottery funding is based on prior year annual ADA times the historic statewide average excused absence factor of 1.04446.

Adults and ROP funding based on 2007-08 Annual ADA

#### ESTIMATED STATEWIDE AVERAGE BASE REVENUE LIMITS PER ADA "UNDEFICITED"

Year	Elementary	High School	Unified
2010-11 Statewide Average (est.)	\$6,108	\$7,340	\$6,386
2011-12 Inflation increase @ 1.67% COLA	\$ 102	\$ 123	\$ 107
2011-12 Statewide Average (est.)	\$6,210	\$7,463	\$6,493

#### 2011-12 BUDGET ACT ESTIMATED CHARTER SCHOOL RATES

	K-3	4-6	7-8	9-12
General Purpose Block Grant (will change at each apportionment) *	\$5,030	\$5,106	\$5,252	\$6,097
Categorical Block Grant (est.)	\$ 410	\$ 410	\$ 410	\$ 410
<b>Total</b>	<b>\$5,440</b>	<b>\$5,516</b>	<b>\$5,662</b>	<b>\$6,507</b>

\*These rates do not include the additional reduction of \$330 per ADA if tax measures do not pass

**Exhibits to be Available on SBCSS website:**

<b>Exhibit A</b>	2010-11 Revenue Limit (using 10-11 P-1 ADA)
<b>Exhibit B-1</b>	2011-12 Revenue Limit Calculation
<b>Exhibit B-2</b>	2011-12 Revenue Limit Calculation (with on-going \$330 reduction)
<b>Exhibit C-1</b>	Revenue Limit Comparison 10-11 to 11-12
<b>Exhibit C-2</b>	Revenue Limit Comparison 10-11 to 11-12 (with on-going \$330 reduction)
<b>Exhibit D</b>	Historical Analysis of COLA
<b>Exhibit E</b>	Adult Education & ROP Funding
<b>Exhibit F-1</b>	Lottery Estimated Funding District
<b>Exhibit F-2</b>	Lottery Estimated Funding ROP/C
<b>Exhibit F-3</b>	Lottery Estimated Funding Charter
<b>Exhibit G</b>	Pupil Transportation Estimated Funding
<b>Exhibit H</b>	Tier III Categorical
<b>Exhibit I</b>	Economic Impact Aid (EIA)/ELAP
<b>Exhibit J</b>	K-3 Class Size Reduction
<b>Exhibit K</b>	AB851 Beginning Teacher Salary and Meals for Needy Revenue Limit Adj.
<b>Exhibit L</b>	State Fiscal Stabilization Fund
<b>Exhibit M</b>	Tiered Program Listings

**SAN BERNARDINO COUNTY SUPERINTENDENT OF SCHOOLS  
BUSINESS ADVISORY SERVICES**

**FOR INFORMATION, PLEASE CONTACT STAFF AT THE FOLLOWING NUMBERS:**

<b>Director</b>		<b>Accounting Technicians</b>	
Teri Kelly	(909)777-0761	Monica Aguirre	(909)777-0765
<b>Business Services Advisors</b>		Sally Leialoha	(909)777-0767
Jean Aldrete	(909)777-0744	Ginger Sanchez	(909)777-0766
Tom Cassida	(909)777-0752	Patricia Wooldridge	(909)777-0751
Cynna Hinkle	(909)777-0745	<b>Office Specialist III</b>	
<b>Fiscal/Systems Analysts</b>		Lupe Saldivar	(909)777-0761
Jesus Holguin	(909)777-0749	<b>Office Specialist II</b>	
Patty Trevino	(909)777-0746	Frecia Sicilia	(909)777-0747
<b>Accountant</b>		<b>Senior Accounting Clerk</b>	
Tamika Marshall	(909)777-0768	Silvia Soria	(909)777-0750

**Link to SBCSS website/Business Advisory Services:**  
**[http://www.sbcss.k12.ca.us/busServe/bas\\_1011budget.php](http://www.sbcss.k12.ca.us/busServe/bas_1011budget.php)**